

AD-A157 613

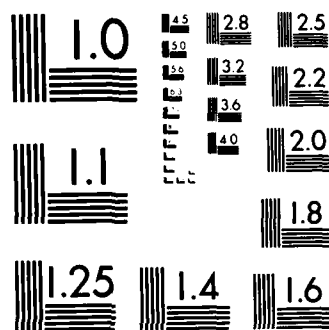
VA (VETERANS ADMINISTRATION) CAN REDUCE EXCESS  
DISABILITY PAYMENTS BY IMP. (U) GENERAL ACCOUNTING  
OFFICE WASHINGTON DC HUMAN RESOURCES DIV 29 MAY 85  
GAO/HRD-85-38 F/G 5/9

1/1

UNCLASSIFIED

NL

						END							
						FILED							
						DTIC							



MICROCOPY RESOLUTION TEST CHART  
NBS-1963-A

BY THE U.S. GENERAL ACCOUNTING OFFICE

## Report To The Secretary Of Defense And The Administrator Of Veterans Affairs

### VA Can Reduce Excess Disability Payments By Improving Pay Data Exchange With The Military Services

Federal law requires that the Veterans Administration (VA) withhold disability benefits whenever a veteran reenlists in the active military service. GAO found that disabled veterans do not always notify VA when they reenter active service, and VA has no effective controls to identify veterans who do not notify it. Consequently, VA paid in excess of \$1 million in both 1982 and 1983 for disability compensation benefits to veterans on active duty.

Also, the military services make lump-sum separation payments to members who are involuntarily discharged for disability and nondisability reasons. Federal law requires that VA withhold disability payments until an amount equal to the full separation payment has been recouped. GAO found, however, that the Department of Defense (DOD) and VA lack adequate controls to ensure that all separation pay data are provided and that VA withholds disability payments. Based on GAO's review of DOD separation payments for 1983, VA had not withheld the appropriate monthly disability payments on an estimated \$1.6 million in total lump-sum separation pay made by the military services in 1983.

This report recommends a number of actions that VA and DOD should implement so that veterans do not receive disability benefits to which they are not entitled. VA and DOD generally agreed with GAO's findings and recommendations.



This document has been approved  
for release to the public  
DATE 10/11/01 BY 1043

GAO/HRD-85-38  
MAY 29, 1985

85 8 05 003



UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

HUMAN RESOURCES  
DIVISION

B-218760

The Honorable Caspar W. Weinberger  
The Secretary of Defense

The Honorable Harry N. Walters  
Administrator of Veterans Affairs

This report discusses ways for the military services and the Veterans Administration (VA) to prevent excess VA disability payments to veterans. Our review was made to determine if the military services and VA had adequate controls to ensure that pay information is being exchanged effectively and that proper action is being taken.

This report contains recommendations to you on pages 12, 20, and 21. As you know, 31 U.S.C. 720 requires the head of a federal agency to prepare a written statement on actions taken on our recommendations. You must send the statement to the Senate Committee on Governmental Affairs and the House Committee on Government Operations within 60 days of the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made over 60 days after the date of the report.

We are sending copies of this report to the Director, Office of Management and Budget; the Chairmen of the four above-mentioned Committees; the Chairmen, House and Senate Committees on Veterans' Affairs; and the Secretaries of the Air Force, Army, and Navy.



Richard L. Fogel  
Director



A-1

GENERAL ACCOUNTING OFFICE  
REPORT TO THE SECRETARY OF  
DEFENSE AND THE ADMINISTRATOR  
OF VETERANS AFFAIRS

VA CAN REDUCE EXCESS DISABILITY  
PAYMENTS BY IMPROVING PAY DATA  
EXCHANGE WITH THE MILITARY  
SERVICES

D I G E S T

The Veterans Administration (VA) pays disability compensation to veterans for service-connected disabilities. In fiscal year 1984, VA provided over \$8 billion to about 2.3 million veterans. Federal law requires that VA withhold these payments whenever veterans reenlist in the active service. Further, the military services make lump-sum payments to members who are involuntarily discharged for disability and nondisability reasons; federal law requires that VA withhold monthly disability payments from veterans until an amount equal to the full separation payment amount has been recouped. GAO conducted a review to determine if VA and the military services had adequate controls to ensure that VA does not pay disability benefits in these two situations.

GAO found that certain veterans continue to receive VA disability payments when they reenter active service, and separation payments are not always recouped. These problems occur because VA and the Department of Defense (DOD) do not have adequate controls to ensure that pay data are properly exchanged to prevent disabled veterans from receiving disability payments to which they are not entitled.

VA IS NOT BEING NOTIFIED WHEN  
VETERANS REENTER ACTIVE SERVICE

Although VA disability benefit notices instruct veterans to contact the VA regional office when they reenter active service, VA has not determined whether veterans comply with its reporting requirement.

To determine the level of compliance with this requirement, GAO asked the Defense Manpower Data Center to match the DOD active duty and VA disability tapes maintained by the Center for calendar years 1982 and 1983. This match identified 1,060 persons who had reentered active

service and did not notify VA. As a result, VA made over \$1 million in excess disability payments each year. (See pp. 7 and 8.)

To verify the accuracy of the matched data which identified 1,060 persons, GAO reviewed 184 sample cases at six VA regional offices where veterans were receiving active duty and VA disability payments. By the time its review began, GAO found that payments to 12 of the 184 veterans had been suspended and overpayments had been computed. As of September 30, 1984, VA regional office staff had computed overpayments on 122 of the other 172 cases for which active duty reenlistees were receiving VA disability payments. Based on these computations, GAO estimates that VA made additional prior years' overpayments on the 1,060 cases totaling about \$4.5 million. (See pp. 8 to 9.)

As a test of the effect of military regulations that require recruiting personnel to notify VA when enlisted personnel, who are disabled veterans, reenter active service, GAO reviewed 197 military personnel files of the same 1,060 cases. This test identified 115 cases where the veterans mentioned the VA disability on reenlistment applications, but recruiting personnel did not notify VA. In the other 82 cases, the veteran did not mention the VA disability to the recruiter. (See p. 9.)

#### OPPORTUNITY EXISTS TO REDUCE EXCESS VA DISABILITY PAYMENTS

Improved VA and DOD cooperation can help reduce excess VA disability benefits to persons who have reenlisted in the active service. This could be accomplished with data that VA currently provides to the Center.

In this regard, VA annually sends the Center a tape of all disabled veterans to match against its retired and reserve files to identify duplicate payments. Since the Center already has the VA data, GAO believes that an annual tape match of the DOD active duty file and VA disability file could identify persons in receipt of concurrent benefits. VA and Center officials told GAO that the tape match is feasible and would be cost effective because there would not be any significant reprogramming costs. DOD and VA

officials also stated that increased computer matching could occur between annual cycles. (See pp. 10 and 11.)

#### VA DID NOT RECOUP SEPARATION PAY

Although DOD and VA have various mechanisms in place to exchange separation pay data, veterans received excess disability benefits in 1983 because VA did not always recoup separation payments made by the military services.

Basically, the mechanisms require the DOD separation processing offices and the four military finance centers to notify VA when the military services provide involuntary separation pay to their members. After notification, VA is supposed to start withholding veterans' monthly disability payments until an amount equal to the separation pay has been recouped.

GAO identified and reviewed 518 active separation payment cases where individuals were receiving VA disability payments from a randomly selected sample of 1,152 cases and found that in 95 cases recoupment did not occur. (See pp. 14 to 17.)

There were two main reasons for the problem:

- DOD separation processing offices and finance centers did not always provide VA with separation pay data. This was the reason for 26 of the 95 cases.
- VA regional offices did not always recoup separation pay even though the military services provided the information. In 69 of the 95 cases, regional staff either disregarded the separation pay information or did not realize that their attempt to recoup separation pay was unsuccessful.

Based on its review of 518 cases, GAO identified \$1 million that should have been recouped and projected an additional \$600,000 in errors for the remaining separation pay cases in the sample. However, VA can only withhold disability payments at no higher an amount than the veteran's current monthly benefit payment. Since most veterans receive small monthly benefits, it may take years before the \$1.6 million GAO

estimated to be unrecovered in lump-sum separation payments can be recouped. Using the current benefit amounts, VA can, for example, begin to recover over \$222,000 in annual disability payments by starting recoupment action on the 95 error cases. (See pp. 14 to 17.)

#### MUTUAL CORRECTIVE ACTION CAN IMPROVE RECOUPMENTS

GAO identified separation pay data that DOD separation processing offices had not provided to VA. Such data have been provided by the Navy, Air Force, and Marine Corps military finance centers to the Center on a quarterly basis since September 30, 1983. The Army military finance center could send existing separation pay data on computer input cards to the Center until its revised pay system is fully implemented in June 1986. Thus, GAO believes that VA would be notified about all separation pay if the Center provided VA with quarterly separation pay data from the military finance centers. (See pp. 18 and 19.)

However, even if the Center starts providing quarterly separation pay data to VA, it is possible that VA regional office staff could still disregard the separation payment information in its records and allow the erroneous payment of a veteran's disability benefits. To strengthen internal controls established to prevent such regional office oversights, VA could incorporate a procedure into its disability award process to alert VA staff that any separation payment must be recouped before monthly disability payments are made. (See p. 19.)

#### RECOMMENDATIONS

GAO recommends that the Secretary of Defense require:

- The Defense Manpower Data Center to perform an annual computer tape match and periodic updates throughout the year, beginning with 1984 data, of active duty and VA disability files to identify persons who have reenlisted and provide their names to VA.



--Military finance centers to send all quarterly separation pay data to the Center so that the Center can later provide the data to VA.

GAO recommends that the Administrator of Veterans Affairs require the Director, Department of Veterans Benefits, to:

- Follow agency appeal procedures for all 1,060 cases identified by GAO on the 1982 and 1983 tape matches as well as those cases to be identified by DOD on the 1984 and future year tape matches and suspend disability payments and compute overpayments, as appropriate.
- Review military separation payment cases identified by GAO from 1983 and initiate recoupment if it has not occurred.
- Enter quarterly separation pay data from DOD into its beneficiary record system and provide regional office staff with a computer-generated reminder during award processing to withhold disability payments until the full amount of separation pay has been recouped. (See pp. 12 and 20.)

AGENCY COMMENTS AND  
GAO EVALUATION

DOD concurred with GAO's findings and generally agreed with its recommendations. In this regard, DOD supported the need for the Center to (1) perform an annual tape match of active duty and VA disability files and (2) provide quarterly separation pay data to VA. However, it concluded that a recommendation contained in the draft of this report to expand the Center's reenlistment file and include VA disability data for use by recruiters would not be the best way to improve internal controls.

DOD proposed that the Center match active duty and disability files periodically between annual cycles because increased computer matching would provide better assurance that VA payments were stopped and would help prevent fraudulent enlistments by persons who conceal a medical condition. When advised of the DOD proposal, VA indicated that it could provide periodic updates of its disability file to the Center in order to satisfy DOD's alternative approach. GAO

believes that this alternative approach will be satisfactory and has revised the recommendation in the final report. (See pp. 12 and 13 and app. IV.)

VA generally agreed with GAO's findings and recommendations. However, VA stated that the recommendation to place a reminder on the disability award screen to alert regional office staff to recoup separation pay was not necessary since suitable program edits already existed.

GAO did not intend to imply that VA had no controls to prevent regional office staff from overlooking separation payment information in its records. Instead, GAO believes that VA regional personnel can overlook a notice to recoup separation pay and that a reminder message would provide a simple added control to help overcome this possibility. GAO has revised its report to clarify this matter. (See p. 21 and app. V.)

## C o n t e n t s

		<u>Page</u>
DIGEST		i
CHAPTER		
1	INTRODUCTION	1
	Internal controls to help prevent excess VA disability payments	2
	Objective, scope, and methodology	4
2	VA AND DOD NEED BETTER CONTROLS TO ENSURE VETERANS DO NOT CONTINUE RECEIVING DISABILITY BENEFITS AFTER THEY REENLIST	7
	VA is not being notified when veterans reenter active service	7
	Opportunity exists to reduce VA disability payments	10
	Conclusions	11
	Recommendations	12
	Agency comments and our evaluation	12
3	DOD AND VA CAN IMPROVE DATA EXCHANGE TO BETTER ENSURE SEPARATION PAY IS RECOUPED	14
	DOD does not always give VA separation pay data	14
	VA does not always recoup separation pay when the amount is known	15
	Mutual corrective action can improve recoupments	18
	Conclusions	20
	Recommendations	20
	Agency comments and our evaluation	21
APPENDIX		
I	Schedule showing universes and samples asso- ciated with 1983 involuntary separation pay	22
II	Results of DOD and VA tape matches in 1982 and 1983 by service branch and associated ex- cessive VA payments	23
III	Schedule of case results associated with 1983 involuntary separation pay	24
IV	April 10, 1985, letter from the Deputy Assistant Secretary of Defense	25
V	April 5, 1985, letter from the Administrator of of Veterans Affairs	34

#### ABBREVIATIONS

BIRLS	Beneficiary Identification and Records Locator System
DMDC	Defense Manpower Data Center
DOD	Department of Defense
GAO	General Accounting Office
VA	Veterans Administration

## CHAPTER 1

### INTRODUCTION

The Veterans Administration (VA) provides disability compensation to veterans who have suffered lost earning capacity because of service-connected disabilities. VA administers this program through 58 regional offices under the direction of its Department of Veterans Benefits. In fiscal year 1984, VA disbursed over \$8 billion in disability compensation benefits to about 2.3 million veterans.

Veterans who reenlist in the active service become ineligible for VA disability benefits. Also, the military services make lump-sum payments to members who are involuntarily discharged for disability and nondisability reasons; federal law requires that VA withhold disability benefit payments until the full separation payment amount has been recouped.

Title 38 U.S.C. §3104(c) provides that a person cannot be paid VA disability benefits while receiving active duty pay. Because some VA disabilities do not affect a person's performance in the active service, certain veterans are allowed to reenlist if the military approves a medical disability waiver. VA disability benefits must then be terminated for the entire active service period; the veteran is entitled to reapply for disability benefits when released from the service.

Title 10 U.S.C. §1174 and §1212 authorize the military services to make lump-sum payments to members of the armed forces who, for various reasons, are involuntarily discharged from the active service. These payments are intended to assist personnel in the transition back to civilian life and fall into two categories:

- (1) Disability severance (hereafter called separation) pay for those discharged because of service-connected disabilities that make them unfit for duty. The member must have a disability rating of 20 percent<sup>1</sup> or less and have at least 6 months of active service to be eligible for benefits.

---

<sup>1</sup>Members of the military services who become disabled are assigned percentage ratings (in increments of 10, from 10 to 100) corresponding to their degree of disability. A member receiving a rating of 30 percent or higher is eligible for disability retirement benefits.

- (2) Nondisability separation pay for regular and reserve officers when they, for example, are not selected for promotion or do not perform satisfactorily and reserve enlisted personnel not accepted for an additional tour of duty. To be eligible for nondisability separation pay, a member must have served at least 5 years of continuous active duty at the time of release.

Some veterans who receive involuntary separation pay are also eligible for VA compensation. Federal law requires that effective September 15, 1981, VA must withhold the veterans' disability benefits until an amount equal to 100 percent of a disability or nondisability separation payment has been recouped.<sup>2</sup>

DOD estimated that 3,030 persons received \$20 million in disability separation pay and 1,364 persons received \$33 million in nondisability separation pay in fiscal year 1982. (This was the latest year we could obtain available data.) Neither DOD nor VA compiles statistics on how many of these persons ultimately become eligible for VA disability benefits.

#### INTERNAL CONTROLS TO HELP PREVENT EXCESS VA DISABILITY PAYMENTS

VA and the military services each have specific controls to help prevent excess VA disability payments due to reenlistment or involuntary separation payments. Both veterans and military personnel should notify VA to suspend disability benefits or recoup separation payments.

#### Identifying disabled veterans who reenlist

VA instructs veterans who receive a disability payment to contact the VA regional office if they reenter active service. DOD procedures state that military recruiting personnel should

---

<sup>2</sup>Before September 15, 1981, there were three types of involuntary separation pay--disability severance pay, nondisability severance pay, and nondisability readjustment pay. Disability severance pay was subject to full recoupment, whereas readjustment pay could be recouped at 75 percent, and nondisability severance pay could not be recouped. The passage of the Defense Officer Personnel Management Act reclassified all nondisability pay to persons released on or after September 15, 1981, as "separation pay" and subject to a 100-percent offset. The act also raised the maximum benefit from \$15,000 to \$30,000.

--In 22 cases, VA regional office personnel apparently overlooked the separation pay information totaling \$279,000 or were not properly instructed on the need to recoup.

--In 47 cases, VA regional office personnel did not know that the VA computer rejected recoupment attempts on separation payments totaling \$394,000.

There were 64 other nondisability separation pay cases where VA was correctly withholding monthly disability payments, but it had understated the amount of separation pay that needed to be recouped by \$385,000. This occurred because VA record systems applied incorrect recoupment rates.

VA regional staff do not always attempt to process separation pay information

We determined that VA has adequate controls at its Austin, Texas, Data Processing Center to ensure that separation pay data from the DD 214 are entered in the Beneficiary Identification and Records Locator System. This automated record is then made available to regional office adjudicators for processing disability compensation awards. But, VA does not have an effective process to guarantee that regional office adjudicators correctly recoup separation pay in all situations.

As previously stated, separation processing offices did not provide needed payment information on 17 of 263 DD 214s (see p. 15). We reviewed the other 246 cases where separation payment information had been supplied and found that VA had not taken recoupment action on 11 cases totaling \$209,000. Six of the 11 errors involved instances where the adjudicator apparently disregarded or overlooked disability separation pay data contained on the DD 214. The other five errors involved nondisability separation pay and occurred, in part, because (as explained below) VA adjudicators relied on outdated recoupment instructions.

Effective September 15, 1981, all DOD nondisability payments were subject to full recoupment, but the VA central office issued two conflicting instructions on this revision to the VA regional offices in April 1983. One (M21-1, 29.40) mentioned that separation pay was subject to full recoupment, whereas the other (M21-1, 21.10) mentioned that nondisability separation pay was not subject to recoupment. In November 1983, we pointed out to VA central office officials that M21-1, 21.10, regarding nondisability separation pay, had not been updated. We also told them that 38 C.F.R. 3.700 had not been revised to cover the full recoupment requirement. As a result of our disclosure, VA

represented about \$348,000 of separation pay that VA could not start recouping.

Separation processing offices did not provide payment information

DOD separation processing offices prepare a form DD 214 for all service members being discharged from active service. When a person receives involuntary separation pay, the personnel officer is supposed to note the payment amount and reason for separation on the DD 214 and send a copy to the VA Data Processing Center in Austin, Texas.

Of the 263 cases, the DD 214 should have reported nondisability separation pay in 32 cases and disability separation pay in 231 cases. We identified pay data omissions on 17 DD 214s totaling \$294,000. The highest incident of error involved nondisability separation pay. We found that 13 cases did not have nondisability separation pay information on the DD 214s, resulting in VA not recouping \$266,000 in separation pay. Only four cases lacked the necessary disability separation pay information on the DD 214, resulting in nonrecoupment of \$28,000.

Military finance center notices are not provided

Some military members can be removed from active service and placed on temporary disability retirement, thus deferring a decision about disability separation pay. The military finance centers are required to send the VA regional office a notice if a person is later removed from temporary disability retirement and given separation pay. Generally, the military finance centers have adequate controls to ensure that VA is notified. However, we reviewed 255 cases involving disability separation payments and identified 9 cases representing \$54,000 in separation pay, where the military finance centers had not provided the required information.

VA DOES NOT ALWAYS RECOUP SEPARATION PAY WHEN THE AMOUNT IS KNOWN

VA is required to withhold a veteran's disability benefits until the entire separation payment amount has been recouped. Most recoupments are processed correctly, but sometimes the regional office adjudicators do not recoup separation pay even when the payment data are available in the computer system or the case file. We identified 69 cases out of 518 cases reviewed, totaling \$673,000 in finance center payments, where VA was notified about the separation pay but did not begin recouping the balance. The errors occurred for two reasons:



### CHAPTER 3

#### DOD AND VA CAN IMPROVE DATA EXCHANGE

##### TO BETTER ENSURE SEPARATION PAY IS RECOUPED

The military services make lump-sum payments to members who are involuntarily discharged for disability and nondisability reasons. Current laws and regulations require that VA withhold disability benefits from veterans until an amount equal to these separation payments from the military services has been recouped. Based on our review of VA and military finance centers' pay records for 1983, we found that VA did not start withholding the appropriate monthly disability payments on an estimated \$1.6 million in lump-sum separation payments made by the military services. Our review of sampled cases identified \$1 million in specific errors and enabled us to project an additional \$600,000 in errors (see app. III). It may take many years before the \$1.6 million in separation payments can be recouped because VA can only withhold disability payments at the veterans' current monthly benefit rate. By doing so, however, VA can immediately reduce at least \$222,000 annually in excess disability payments.

We selected 1,152 random cases where persons had received involuntary separation pay in either calendar year or fiscal year 1983 and identified 518 cases with an active VA disability claim. Of these, we found 95 cases (18 percent) where VA did not recoup military separation payments and, thus, veterans received excess disability payments. DOD did not provide VA with separation pay data in 26 of these cases, and VA did not withhold disability payments when separation pay data were known in 69 cases. Recoupment efforts can be improved if DOD provides quarterly separation pay data to VA and if VA improves its procedures for processing required recoupment actions.

We identified another group of 64 cases where VA was withholding monthly disability payments to recoup military separation pay, but had understated the amount that will need to be recouped in the future by at least \$385,000.

##### DOD DOES NOT ALWAYS GIVE VA SEPARATION PAY DATA

DOD regulations require the military services to give VA separation pay data necessary to initiate recoupment action. Of the 518 cases we reviewed, 263 involved cases where the pay data should have been reported by military separation processing offices, and 255 involved cases where the pay data should have been reported by military finance centers. In total we identified 26 of these 518 cases where DOD did not notify VA, and this

increasing the frequency of computer matching. Instead, DOD proposed that the annual match with VA be updated periodically between cycles, and the notification of dual payment status be reported directly to VA by DMDC, rather than go through recruiters. DOD said that its proposed solution would accomplish the same objectives as we intended with less disruption to on-going programs. Additionally, DOD believed this procedure would allow DMDC to better ensure that service personnel officials are notified of all individuals who fraudulently conceal a medical condition which would prevent reentry to active duty.

On April 5, 1985, VA responded to a closely related recommendation in our draft report (see app. V). VA concurred with our proposed recommendation which called for it to submit to DMDC periodic updates of its disability tape that would identify all veterans added to the benefit roles during the year so reenlistment files would contain current disability data that can be used by recruiters. VA agreed to furnish beneficiary data to DMDC as frequently as they currently are provided to military finance centers. In responding to DOD's alternative approach to expansion of its reenlistment file, VA officials told us that they can easily provide DMDC with periodic updates to the annual VA disability tape since the DMDC preferred method would ensure more DOD control and help prevent fraudulent enlistments.

We agree that the DOD proposed solution accomplishes the aim of our recommendation and will also help DOD prevent fraud. Since VA has agreed to the alternative solution, we have revised the final report and recommendations made to DOD and VA accordingly.

## RECOMMENDATIONS

We recommend that the Secretary of Defense require:

- DMDC to perform an annual match of the active duty and VA disability files to identify persons who received active duty and VA disability benefits concurrently in 1984 and conduct periodic updates throughout the year. The results of these matches should be edited to remove inaccurate data before providing them to VA.
- Military services to reinstruct recruiters on the procedures for notifying VA when disabled veterans reenlist.

We recommend that the Administrator of Veterans Affairs require the Director, Department of Veterans Benefits, to:

- Follow agency appeal procedures for all 1,060 cases we identified on the 1982 and 1983 tape matches and, as appropriate, suspend disability benefits and compute overpayments.
- Follow agency appeal procedures and, as appropriate, suspend disability benefits and compute overpayments on veterans identified by DOD as receiving active duty and VA disability benefits concurrently on the 1984 and future year tape matches.
- Submit to DMDC periodic updates of its disability tape that will identify all veterans added to the benefit roles during the year.

## AGENCY COMMENTS AND OUR EVALUATION

In its April 10, 1985, comments on our draft report (see app. IV), DOD concurred with our findings concerning DOD functions. It also concurred with our recommendations to reinstruct recruiters on the procedures for notifying VA when disabled veterans reenlist and to require DMDC to send quarterly separation pay data to VA. DOD, however, only partially concurred with the proposed recommendation contained in the draft report that DMDC (1) perform an annual tape match of active duty and VA disability files to identify persons receiving concurrent benefits and (2) expand its reenlistment file to include VA disability data for use by recruiters.

Although DOD supported the need for an annual tape match, it believed that expending more effort to improve the process involving recruiter notification would not be as productive as

in receipt of disability benefits because there would not be any significant reprogramming. An annual tape match would be sufficient because most persons have low-rated disabilities and the potential overpayment can be kept relatively small if the reenlistment is detected within a year.

DMDC needs to edit data before providing them to VA; our analysis identified various inaccuracies. Special attention should be given to social security number mismatches. DMDC also should identify and remove the names of persons who are no longer in active duty status. This can be done by matching personnel data with military pay data that have been on file at DMDC since September 1983.

DMDC officials said that increased computer matching could also provide the military services with timely information on persons who fraudulently conceal a medical condition which would prevent their reenlistment. VA officials stated that updated disability tapes could, if needed, be readily provided to DMDC.

#### CONCLUSIONS

VA makes excess disability payments because adequate controls have not been established to ensure that veterans inform VA to suspend disability benefits upon their reenlistment. VA could reduce more than \$1 million annually in excess disability payments by suspending benefits to ineligible veterans and could recover additional overpayments estimated to be about \$4.5 million if it follows up on the 1,060 cases identified on the 1982 and 1983 VA/DOD tape matches.

Excess disability payments have been made in prior years and are likely to continue until VA and DOD establish better controls over disabled veteran reenlistments. VA's requirement that veterans report their reentry to active service has not been sufficient to ensure termination of disability benefits. Through an annual tape match starting with 1984 data, DMDC could help VA identify both enlisted and officer personnel who are receiving active duty pay and disability benefits concurrently. Based on our 1982 and 1983 VA/DOD tape matches, the data need to be edited before providing them to VA. These subsequent tape matches should involve a much smaller number of persons and a correspondingly significant reduction in the annual excess disability payments and overpayments.

Recruiting personnel do not always inform VA of a disabled veteran's reenlistment. Military services should reinstruct recruiters on procedures for reporting the information to VA.

OPPORTUNITY EXISTS TO  
REDUCE VA DISABILITY PAYMENTS

Improved VA and DOD coordination can help eliminate VA disability benefits to persons who have reenlisted in the active service. Although VA has not implemented an effective way of ensuring that veterans report their reentry to active service, an annual match of the VA disability and military active duty tapes could prevent most excess payments by identifying persons receiving active duty and VA payments concurrently.

Most payments can be reduced  
through an annual reconciliation

Once VA has completed its review of those disabled veterans identified through the 1982 and 1983 tape matches, it will have to deal with only a relatively small number of new enlistees each year who reenter active service without notifying VA.<sup>2</sup> If DMDC would annually match the disability tape that VA currently provides, against the DOD active duty master record tape, it can identify persons receiving both types of benefits. The results of this computer match can then be provided to VA so disability benefits can be suspended and overpayments computed back to the reenlistment date.

As with any computer match involving personal information, DOD and VA should follow the Office of Management and Budget's computer matching guidelines.<sup>3</sup> For example, the agencies should ensure that data are adequately safeguarded to include restricting access, accounting for disclosure, and proper disposal upon completion of its use. It is also important to recognize due process rights when following up on matched data. No benefits should be terminated solely on the results of the computer match without first confirming the results. Also, due process gives veterans the right to challenge and refute information before it is used to affect their benefits.

DMDC officials and VA central office officials told us that an annual DOD/VA tape match would be a quick and cost-effective method of identifying active duty enlisted and officer personnel

---

<sup>2</sup>The 1983 tape match identified 200 persons who received active duty and VA disability benefits in 1983 that were not previously included on the 1982 tape match.

<sup>3</sup>The Office of Management and Budget's computer matching guidelines are intended to help agencies relate the procedural requirements of the Privacy Act of 1974 to the operational requirements of computer matching.

totaling \$154,000 in annual disability benefits. As of the same date, VA regional office staff had computed overpayments on 122 of the 172 cases. In total, the overpayments for these 122 cases exceeded \$518,000--an average of \$4,250 per case.

VA should follow up on the other 876 persons identified on the 1982 and 1983 tape matches. VA should be able to suspend many disability claims, and if the current average overpayment applies to all 1,060 cases, VA overpayments could be about \$4.5 million.

#### Recruiting personnel do not notify VA

Military recruiting regulations state that disabled veterans who apply for reenlistment must terminate their VA disability benefits as part of the enlistment process. The DOD enlistment application and the report of medical history require the veteran to disclose receipt of VA disability benefits; failure to do so can constitute fraudulent enlistment. Such disclosure further requires the recruiting official to pursue, and the veteran to provide, information on the type of disability.

Despite these requirements, military recruiters do not always notify VA when disabled veterans reenter active service. As stated on page 5, 878 cases of the 1,060 cases identified on the DOD/VA tape matches involved enlisted personnel. To determine whether these veterans mentioned their disability benefits to the military recruiters, we randomly selected 197 cases (22 percent) from the 878 enlisted personnel and reviewed their personnel files. In 115 cases (58 percent), the veterans indicated on their enlistment forms that they were receiving VA disability benefits, but recruiters had not notified VA. In the other 82 cases (42 percent), the veterans had not mentioned the VA disability upon reenlistment.

We did not discuss the 115 cases with recruiting personnel actually involved in these cases and, therefore, did not determine the specific reasons why VA was not notified. Based on our discussions with recruiting personnel and our review of their procedural material, however, we identified three reasons that make it possible for enlisted personnel, who are disabled veterans, to reenter the service without VA being notified. First, procedures for notifying VA when a disabled veteran reenlists are vague and may not be clearly understood by recruiting personnel. Second, recruiters told us that disabled veterans reenlist so infrequently that notifying VA can be overlooked. Third, recruiters said they were more concerned with obtaining and processing medical waivers than notifying VA to terminate benefits.

social security number on DOD or VA records and because they appeared on active duty lists after being discharged.

The 1982 and 1983 DOD/VA tape matches identified a total of 1,060 individuals on active duty who were receiving VA benefits, generally for low-rated disabilities in both years.<sup>1</sup> For each year, VA provided at least \$1 million in excess disability payments (see app. II). Although we only looked at these 2 years, we believe VA made similar excess payments in prior years because persons currently identified on the tape matches reentered active service between 1971 and 1981.

The 1,060 cases were distributed among 57 of the 58 VA regional offices. Of these, we reviewed 184 disability case files at six VA regional offices to (1) verify the accuracy of matched data, (2) determine whether VA had terminated disability benefits when notified of the reenlistment, and (3) ascertain the amount of any overpayments. Our case review confirmed that most officers and enlisted personnel were still receiving VA benefits and that VA had not been informed of their reentry into active duty. Before our visits, VA had received reenlistment notification for 12 of the veterans we sampled and had suspended their benefits and computed overpayments. In 35 other instances, VA suspended benefits for other reasons (e.g., a check was not deliverable), but did nothing about overpayments. The other 137 persons in our 184 case total were still receiving disability benefits. Also, overpayments had to be computed for 172 persons since only 12 veterans' benefits had been suspended and their overpayments calculated before our visits.

We discussed with VA regional office officials the cases where disability benefits should have been suspended and/or overpayments computed. They agreed to allow the veteran at least 30 days (due process) to respond to VA correspondence before suspending disability benefits. VA regional office personnel sent letters to the veterans seeking information on periods of active duty and contacted the appropriate military personnel centers to verify active duty service dates. In instances where the veteran reported the date of reentry into active duty or the military personnel center had verified service dates, VA regional staff also computed overpayments back to the date of enlistment. As of September 30, 1984, the follow-up action on the 172 sample cases where benefits had not been suspended or overpayments computed had resulted in 127 benefit suspensions

---

<sup>1</sup>Most of the 1,060 persons had low-rated disabilities: 819 (or 77 percent) were rated 20 percent or less, 187 (or 18 percent) were rated 30 to 40 percent, and 54 (or 5 percent) had disability ratings of 50 percent or more.

## CHAPTER 2

### VA AND DOD NEED BETTER CONTROLS TO

### ENSURE VETERANS DO NOT CONTINUE RECEIVING

### DISABILITY BENEFITS AFTER THEY REENLIST

Title 38 requires that a person not be paid VA disability benefits concurrently with active duty pay. Because benefits are not always terminated when a veteran reenters active duty, VA made at least \$1 million in excess disability payments in both 1982 and 1983. In addition, we estimate that VA made previous years' overpayments estimated at \$4.5 million.

Excess VA disability payments are made when veterans receiving such benefits reenter active duty without notifying VA and when military recruiters do not notify VA that veterans who are receiving disability benefits have reenlisted. Without such notification, VA will seldom know when a veteran receiving disability benefits reenlists.

### VA IS NOT BEING NOTIFIED WHEN VETERANS REENTER ACTIVE SERVICE

VA does not have adequate controls to identify veterans who reenter active service. As such, VA makes excessive disability payments primarily because disabled veterans reenlist without notifying VA. Also, military recruiting personnel contribute to the problem when they do not notify VA when a disabled veteran reenlists.

### Veterans do not notify VA

VA benefit award notices instruct veterans to contact the appropriate VA regional office when they reenter active service. VA does not know how many disabled veterans reenlist and has not attempted to determine whether veterans comply with this reporting requirement.

DMDC currently has the capability to identify active duty personnel who receive VA disability benefits. Once a year VA sends DMDC a computer tape of all disabled veterans which is routinely matched against the DOD retired and reserve computerized files, but not against the active duty file, to identify persons receiving duplicate payments. We requested that DMDC match calendar years 1982 and 1983 active duty and VA disability files to determine if excess disability payments were being made. We then edited the resulting matched records, removing those persons improperly matched because they had an incorrect



comparable data. We did not attempt to ascertain whether finance centers accurately computed the separation pay.

We selected 1,152 sample cases from the 3,235 total (see app. I). We then compared the 1,152 cases with the VA master record file and identified 518 cases with an active VA claim. On these active cases, we checked to see whether recoupment was properly occurring. In all instances where recoupment was not occurring and where insufficient time had passed for all separation pay to be recouped, we arranged to have the VA disability case files sent to the Louisville VA regional office. There we reviewed the disability cases to establish why recoupment had not occurred and discussed the error cases with a VA regional office official. In cases where enough time had passed to allow full recoupment to have occurred, we conducted telephone interviews with various VA regional management representatives. They, in turn, reviewed the case files and determined if recoupment had already occurred, since the VA master record file does not maintain historical information on recoupment action.

Of the 1,152 separation payment cases, we selected 562 random cases as the basis for projecting our error rate to other cases in the universe. Based on our sample sizes, we are 95 percent confident that our projection represents the minimum potential savings attributed to other nonrecoupment cases. The other 590 cases and their corresponding errors were not projected.

In addition to our review of 518 cases, we requested the VA central office to identify all cases where veterans were released from active duty after September 14, 1981, and have ongoing recoupment action against their nondisability separation pay. VA identified 64 cases as of March 15, 1984. We analyzed these cases to determine if VA had withheld disability benefits at the 100-percent rather than the 75-percent rate, as required by the Defense Officer Personnel Management Act.

To formulate our recommendations, we analyzed various solutions and discussed them with the agencies' administrative and technical officials.

Our review was performed in accordance with generally accepted government auditing standards.

We also interviewed VA and DOD officials to discuss policies, procedures, the results of our review, and practical corrective actions.

The Defense Manpower Data Center (DMDC) maintains active, reserve, and retired personnel computerized files for all military services. Each year, VA sends DMDC its December disability tape, which is used to match against reserve and retired personnel files to identify persons receiving military pay and VA disability pay. To identify instances where veterans were receiving active military service pay and VA disability pay concurrently, we asked DMDC to compare the calendar year 1982 and 1983 active duty tapes and VA disability tapes (on file in Monterey, California) to match personnel common to each. We then edited the data, eliminating improper matches caused by a wrong social security number or by outdated personnel information that should have been purged from the data bases. After editing, the 1982 and 1983 matches identified 1,060 individuals.

We judgmentally selected 6 of the 58 VA regional offices (Atlanta, Cleveland, Indianapolis, Louisville, St. Paul, and St. Petersburg) and conducted a case review to (1) verify 184 of the 1,060 matched individuals whose claims files were located in these 6 regional offices, (2) determine why the disability benefits were not stopped, and (3) ascertain the overpayment for each case. These 184 cases accounted for 17 percent of the matched names we identified. Following our case review, the VA regional offices contacted the veterans and military personnel records centers to help verify the data.

The 1,060 DOD and VA concurrent payment cases consisted of 878 enlisted personnel (83 percent) and 182 officers (17 percent). We randomly selected cases from each service branch representing the 878 enlisted personnel and reviewed 197 files at Army, Navy, Air Force, and Marine Corps personnel records centers to determine whether veteran enlistees had mentioned their VA disability on their enlistment documents. We did not include officer files because the officer application form does not inquire about VA disability benefits. We also contacted Army, Navy, Air Force, and Marine Corps recruiting personnel to review military procedures for notifying VA about disabled veteran enlistees.

To determine the number of personnel who had received involuntary separation pay, we visited the Army, Navy, Air Force, and Marine Corp finance centers. The finance centers identified 3,235 persons who received either disability or nondisability separation pay during a 12-month period--either calendar year or fiscal year 1983. Military finance center officials told us that the slightly different 12-month periods still represented

disability benefits while in a temporary disability retirement status.<sup>3</sup>

As a result of periodic examination or the 5-year limit, the military medical board will determine that the person should be removed from temporary disability retirement and (1) placed on permanent disability retirement, (2) returned to active service, or (3) discharged and either given or denied disability separation pay. The military finance centers are required to send the VA regional offices a notice if someone has been removed from temporary disability retirement and given separation pay. VA is then required to recoup the DOD disability separation pay from current or future disability benefits.

#### OBJECTIVE, SCOPE, AND METHODOLOGY

Our overall objective was to determine whether VA and the military services have adequate controls to ensure that VA does not pay veterans excess disability benefits in two situations. Specifically, we wanted to know whether veterans reenlist in the active service without VA terminating benefits and whether VA withholds a veteran's disability benefits until the full amount of involuntary separation lump-sum payments from the military services has been recouped.

We conducted our review from November 1983 to August 1984. We reviewed

- (1) procedures, controls, and documents used by VA and DOD to ensure proper exchange of pay data;
- (2) pertinent legislation, policies, and management reports;
- (3) VA disability case files and DOD personnel files;
- (4) statistics relevant to VA and DOD payments; and
- (5) past audit reports on involuntary separation payments.

---

<sup>3</sup>A veteran cannot receive disability benefits from the military services retirement system and VA at the same time; an offset is required. But it is advantageous for a veteran to file for VA disability retirement because VA payments are tax free while military retirement benefits are generally taxable. Consequently, most veterans select VA disability benefits and military services do not have to provide retirement payments.

ensure that a veteran enlistee terminates VA benefits as part of the reenlistment process. To comply with these procedures, the veteran should send VA a disability compensation waiver notice endorsed by the commanding officer of the recruitment office.

If VA is not sure about the exact reenlistment date, it should contact the appropriate military personnel records center to verify the date. Benefits should be terminated from the re-entry date, and any subsequent disability payments to the veteran are considered overpayments.

#### Recouping separation pay

VA should start withholding a person's disability benefits when the veteran or military personnel provides it with the separation pay amount. All veterans applying for VA disability compensation are asked if they received a lump-sum separation payment from the military. However, some veterans file for benefits with VA before their actual separation date and are, therefore, unaware of the DOD separation payment. The best source of data is the veteran's "Certificate of Release or Discharge from Active Duty" (form DD 214), which is prepared for every member before he/she leaves active duty. This form should include the type and amount of separation pay awarded to the member. DOD separation processing offices send a copy of every DD 214 to the VA Data Processing Center in Austin, Texas, where the data are included in the Beneficiary Identification and Records Locator System (BIRLS).

VA requires its staff to review the BIRLS data and to recoup the lump-sum separation pay before any disability claims benefit can be processed. Whenever the VA regional staff find a discrepancy between the separation pay amount reported by the veteran and the BIRLS amount, they should contact the military finance center to determine the correct payment.

Some disability separation payments are not known when the veteran leaves active service, so in these instances the DD 214 cannot be used to report the data. A service member can be removed from active duty and placed on temporary disability retirement when the military rates the person at least 30 percent disabled. The member can remain on temporary disability retirement for up to 5 years or until medical examiners determine that the condition sufficiently improves. Many veterans file for VA

issued a new instruction in February 1984 to help clarify the recoupment procedure. VA central office officials told us that they plan to update 38 C.F.R. 3.700 sometime in the future, so that all written procedures will be consistent.

We found that VA regional office staff did not always attempt to process military finance center notices that members were removed from temporary disability retirement and given disability separation pay. As previously stated, military finance centers did not provide separation payment information in 9 of 255 cases (see p. 15). We reviewed the other 246 cases in our sample and determined that VA did not initiate recoupment in 11 cases that represented separation pay of \$70,000. These errors occurred because VA regional office adjudicators overlooked the separation payment information.

VA regional staff did not always  
know when the computer system  
rejected recoupment attempts

Effective July 16, 1984, VA regional staff could begin using computer terminals to directly start recoupment action in cases where the veteran already had an active claim and was receiving monthly disability payments. Previously, the VA computer system would reject the attempt to withhold disability payments unless regional staff used an alternate data entry system. However, VA did not provide formal instructions to the regional offices on how to input the withholding action. VA central office officials provided instructions only when regional staff complained about a computer system reject.

Some regional staff attempted to initiate recoupment through the computer terminal and apparently never learned of the system problem. Of the 69 errors attributed to VA, we identified 47 errors totaling \$394,000 in separation payments where VA tried to initiate recoupment action that was later rejected. Of the 47 errors, 44 occurred in cases where recoupment was attempted against disability separation pay awarded to persons removed from temporary disability retirement. Three errors involved DD 214 payment information where VA had not attempted recoupment until after benefits had been awarded.

Delays in modifying VA's record  
system caused underrecoupment

According to VA policy, all nondisability separation pay was subject to full recoupment effective September 15, 1981. We found that VA had not updated its computer system to automatically recoup separation pay at the required 100-percent rate

instead of the previous 75-percent rate. VA central office officials did not explain why no update had occurred, but they agreed that a change was needed. Effective July 16, 1984, VA reprogrammed its computer to start recouping at the 100-percent rate for all persons separated after September 14, 1981.

In January 1984, we requested that VA identify individuals who were released from active service and given separation pay after September 14, 1981, and who were having their disability payments withheld to recoup the separation pay. As of March 15, 1984, VA had identified 64 such individuals who we determined had received separation payments totaling \$1,541,000 during September 15, 1981, to March 15, 1984. However, because VA was using the outdated 75-percent recoupment rate, it only subjected \$1,156,000 to recoupment. This will result in \$385,000 not being recouped.

The VA computer system erases all traces of the disability benefit being withheld once full recoupment has occurred, so we could not identify additional individuals who had already completed benefit withholding at the lesser rate by March 15, 1984, and are now receiving their monthly disability payments. Since the 100-percent rate corrections did not take effect until July 16, 1984, VA has also understated the recoupment balance by 25 percent on those individuals who entered the VA system between March 16 and July 16, 1984.

#### MUTUAL CORRECTIVE ACTION CAN IMPROVE RECOUPMENTS

VA is responsible for withholding disability compensation payments until separation pay is recouped. More effective control over recoupments can be achieved if VA and DOD modify procedures for exchanging separation pay data and VA improves its procedures for processing required recoupment actions.

#### An automated exchange of pay data will improve recoupment action

Although DOD's use of the DD 214 to notify VA about involuntary separation payments has been generally effective (see p. 16), we noted instances where separation processing offices did not always provide the pay data. This missing information represents a significant amount of separation pay that VA is not aware of. While regulations instruct separation processing office personnel to include all separation pay data on the DD 214, these regulations will not necessarily result in total compliance even if DOD sends a reminder to separation processing offices. A more effective added control would be to provide VA with an actual record of separation pay data from the military finance centers.

The Navy, Air Force, and Marine Corps military finance centers have been sending separation pay data to DMDC on a quarterly basis since September 30, 1983. The Army military finance center has not sent separation pay data to DMDC because these data cannot be automatically retrieved from its system. Army officials told us that they were redesigning their pay system to allow automatic retrieval of separation pay, but this change is not expected to be implemented until June 1986. The Army finance center does maintain computer input cards on all members who received involuntary separation pay over the last 5 to 6 years.

We believe DMDC can serve as the best medium to provide VA with all quarterly separation pay data. Of course, Army would have to send existing separation pay data on the computer input cards to DMDC until its system is redesigned to easily retrieve the data. VA could then include the pay data in its BIRLS data file, and VA regional office staff would know the amount of separation pay when processing a disability compensation award. DMDC and VA officials told us that the cost of this control procedure would be small compared to VA's anticipated savings resulting from being able to withhold disability benefits on all separation payments where separation processing offices did not provide the separation pay data.

#### Improved VA controls can help to increase recoupments

As discussed on pages 14 to 17, we reviewed 518 separation payment actions for veterans with VA disability claims and identified 95 errors (18 percent) caused either by DOD not providing separation pay data or VA not properly recouping the payment. We referred each of the errors to the appropriate VA regional office for corrective action. In this regard, VA central office needs to verify that the errors, representing \$1 million in separation pay and over \$222,000 in annual VA benefits, have been corrected. VA should also review the additional separation pay cases for 1983 where we projected from our sample errors to the universe that about \$600,000 in separation payments remains unrecouped. (See app. III.)

Once DMDC starts providing quarterly separation pay data to VA, the regional office adjudicators will have more complete information as to which cases need recoupment. However, the adjudicator can still incorrectly instruct the computer not to withhold VA disability benefits. To help prevent human errors, VA should print a reminder on the award processing screen whenever a separation payment needs to be recouped. VA central office officials told us the additional control could be implemented with little additional cost.

## CONCLUSIONS

Excess VA disability payments are made to veterans when VA does not recoup involuntary separation pay. Our review of 1983 separation payments showed that VA did not start recouping over \$1 million in payments. Based on our review, VA could withhold at least \$222,000 in disability benefits annually by recouping at the veterans' current payment rate. In addition, we estimate that another \$600,000 was not recouped in other cases from universes from which we took our random samples. VA should review the additional cases and reduce excess disability payments.

VA primarily depends on military separation processing offices and finance centers to provide pay data, but controls are not adequate to ensure that data are provided and acted on. The Navy, Air Force, and Marine Corps finance centers have provided separation pay data to DMDC quarterly since September 30, 1983, and the Army finance center has separation pay data that can be provided. We believe that VA can improve recoupment efforts and reduce excess disability payments if DMDC establishes a procedure to provide quarterly separation pay data from all the finance centers to VA.

Sometimes the regional office staff overlooked or disregarded the separation payment information in its records, thus allowing the payment of VA disability benefits. We believe that a reminder should be placed on the award processing screen to alert the regional office staff that DOD separation pay was given to the veteran.

According to federal law, all separation pay was subject to full recoupment effective September 15, 1981. But VA did not program its computer to recoup at the correct rate until July 16, 1984. VA's oversight in not programming its computer system to recoup at the 100-percent instead of the 75-percent rate caused it to understate the amount of separation pay needing recoupment by at least \$385,000. VA can further reduce excess disability payments by withholding disability payments for those persons affected and identify any other persons where the recoupment amount was understated.

## RECOMMENDATIONS

We recommend that the Secretary of Defense require that all military finance centers send quarterly separation pay data to DMDC starting with fiscal year 1984 data and have DMDC provide the data to VA.

We also recommend that the Administrator of Veterans Affairs require the Director, Department of Veterans Benefits, to:



- Continue recoupment on cases we identified, review other cases in the 1983 DOD universes to detect errors, and initiate recoupment if it has not occurred.
- Enter quarterly separation pay data from DOD into its beneficiary record system and place a reminder on the disability award screen to show when the veteran received separation pay and alert regional staff about recoupment.
- Recoup the additional \$385,000 on the 64 separation payment cases we identified where the recoupment balance was understated.

#### AGENCY COMMENTS AND OUR EVALUATION

DOD and VA concurred with the recommendations in this chapter. VA stated that it will work with DOD to identify veterans who have reenlisted and continue to receive VA disability benefits and veterans who should have VA disability benefits withheld until military separation pay has been recouped. However, VA stated that our proposed recommendation to place a reminder on the disability award screen to show when the veteran received separation pay and alert regional office staff about recoupment is not necessary since an existing edit already exceeds the purpose of our recommendation. (See app. V.)

VA commented that since 1980, program edits have identified separation pay data noted on its beneficiary record, so that veterans would not receive benefits until all nondisability separation pay had been recouped. A similar control existed for the disability separation pay whereby the VA payment system generated a reminder message for the regional office adjudicator to identify the appropriate disability. Considering its program edits, VA assumed its beneficiary records did not contain disability separation pay information in the six instances noted in our report (see p. 16) at the time the adjudicator processed the awards.

We did not intend to imply VA had no control to prevent regional office adjudicators from overlooking separation pay information in its records. Instead, our concern was that although the separation pay information was in VA's records, the VA adjudicators apparently disregarded or overlooked notices to recoup separation pay in the six instances we identified. After we discussed this matter with VA officials, they agreed that VA has no control that can prevent an incorrect action on the part of a regional office adjudicator, and a reminder message on the payment screen that addresses the need to recoup separation pay would provide a simple added control, which was the aim of our proposed recommendation.

SCHEDULE SHOWING UNIVERSES AND SAMPLES  
ASSOCIATED WITH ANALYSIS OF 1983 INVOLUNTARY SEPARATION PAY

Military component/ pay classification	Regular separation pay cases With active		Removal from temporary disability retirement cases With active		Total separation payments cases With active	
	Universe	Sample	Universe	Sample	Universe	Sample
Army:						
—Disability	473	80 <sup>a</sup>	271	69 <sup>a</sup>	744	149
—Nondisability	51	51	—	—	51	51
	524 <sup>b</sup>	131	271 <sup>c</sup>	69	795	200
						141
Navy:						
—Disability	866	87 <sup>a</sup>	156	156	1,022	243
—Nondisability <sup>d</sup>	209	66 <sup>a</sup>	—	—	209	66
—Nondisability <sup>e</sup>	19	19	—	—	19	19
	1,094 <sup>b</sup>	172	156 <sup>b</sup>	103	1,250	328
						160
Air Force:						
—Disability	235	68 <sup>a</sup>	133	133	368	201
—Nondisability <sup>e</sup>	258	70 <sup>a</sup>	—	—	258	70
—Nondisability <sup>f</sup>	25	25	—	—	25	25
	518 <sup>b</sup>	163	133 <sup>b</sup>	76	651	296
						124
Marine Corps:						
—Disability (enlisted regular)	156	60 <sup>a</sup>	54	54	210	114
—Disability (enlisted reserve)	177	62 <sup>a</sup>	—	—	177	62
—Disability (officer)	2	2	—	—	2	2
—Nondisability (three universes)	150	150	—	—	150	150
	485 <sup>c</sup>	274	54 <sup>b</sup>	33	539	328
						93
Total all services	2,621	740	614	412	3,235	1,152
						518

<sup>a</sup>Represents a random sample of 562 cases taken from 8 relatively large universes; the other 590 cases represented all the cases in 10 universes.

<sup>b</sup>Members received separation pay in fiscal year 1983.

<sup>c</sup>Members received separation pay in calendar year 1983.

<sup>d</sup>Separation pay.

<sup>e</sup>Readjustment pay.

<sup>f</sup>Severance pay.

RESULTS OF DOD AND VA TAPE MATCHES  
IN 1982 AND 1983 BY SERVICE BRANCH AND  
ASSOCIATED EXCESSIVE VA PAYMENTS

<u>Service branch</u>	<u>Number of cases</u>	<u>Percent of cases</u>	<u>Excessive VA monthly disability payments</u>	<u>Percent of payments</u>	<u>Excessive VA yearly<sup>a</sup> disability payments</u>
<u>1982 Cases</u>					
Army	466	54	\$ 58,799	58	\$ 705,588
Navy	245	29	23,751	23	285,012
Air Force	85	10	12,475	12	149,700
Marine Corps	<u>64</u>	<u>7</u>	<u>7,487</u>	<u>7</u>	<u>89,844</u>
Total	<u>860</u>	<u>100</u>	<u>\$102,512</u>	<u>100</u>	<u>\$1,230,144</u>
<u>1983 Cases</u>					
Army	394	53	\$47,678	56	\$ 572,136
Navy	213	29	18,423	21	221,076
Air Force	76	10	14,040	16	168,480
Marine Corps	<u>55</u>	<u>8</u>	<u>5,786</u>	<u>7</u>	<u>69,432</u>
Total	<u>738</u>	<u>100</u>	<u>\$85,927</u>	<u>100</u>	<u>\$1,031,124</u>
<u>Cases in Both Years<sup>b</sup></u>					
Army	564	53	\$73,787	56	\$ 885,444
Navy	307	29	29,123	22	349,476
Air Force	109	10	19,183	15	230,196
Marine Corps	<u>80</u>	<u>8</u>	<u>9,322</u>	<u>7</u>	<u>111,864</u>
Total	<u>1,060</u>	<u>100</u>	<u>\$131,415</u>	<u>100</u>	<u>\$1,576,980</u>

<sup>a</sup>Yearly disability payments are computed by multiplying excessive monthly payments by 12.

<sup>b</sup>Cases represent individuals counted only once in either the 1982 or 1983 tape matches: 322 appeared only in 1982; 538 appeared in both years; and 200 cases appeared only in 1983.

## UNIVERSES, SAMPLES, AND CASE REVIEW RESULTS

## ASSOCIATED WITH ANALYSIS OF 1983 INVOLUNTARY SEPARATION PAY

Military component/ pay classification	Cases in universe	Cases in sample	Cases with active VA claim	Cases with no recoupment	Percent case error rate	Pay to veteran with claim	Pay not being recouped	Projected nonrecoupment <sup>a</sup> Additional cases	Additional separation pay
<u>Regular Involuntary Separation Pay</u>									
Army:									
--Disability	473	80 <sup>b</sup>	80	4	5	\$ 938,736	\$ 69,737	19	\$134,241
--Nondisability	51	51	18	10	55	449,052	228,071	-	-
	524	131	98	14	14	1,387,788	297,808	19	134,241
Navy:									
--Disability	866	87 <sup>b</sup>	53	2	4	585,667	18,205	17	153,841
--Nondisability <sup>c</sup>	209	66 <sup>b</sup>	4	2	50	70,087	38,099	4	60,811
--Nondisability <sup>d</sup>	19	19	-	-	-	-	-	-	-
	1,094	172	57	4	7	655,754	56,304	21	214,652
Air Force:									
--Disability	235	68 <sup>a</sup>	40	3	7	263,674	14,819	7	9,358
--Nondisability <sup>d</sup>	258	70 <sup>a</sup>	7	5	71	159,929	113,331	12	212,327
--Nondisability <sup>e</sup>	25	25	1	1	100	31,892	31,892	-	-
	518	163	48	9	19	445,495	160,042	19	221,685
Marine Corps:									
--Disability (en- listed regular)	156	60 <sup>b</sup>	25	1	4	175,082	4,757	1	4,757
--Disability (en- listed reserve)	177	62 <sup>b</sup>	32	2	6	260,353	8,531	3	3,857
--Disability (officer)	2	2	1	-	-	55,325	-	-	-
--Nondisability (3 universes)	150	150	2	1	50	26,581	15,005	-	-
	485	274	60	4	7	463,346	28,294	4	8,614
	2,621	740	263	31	12	2,962,383	542,448	63	579,192
<u>Removal From Temporary Disability Retirement</u>									
Army	271	69 <sup>b</sup>	43	7	16	291,625	17,071	20	30,764
Navy	156	156	103	23	22	780,464	175,127	-	-
Air Force	133	133	76	21	27	775,652	186,468	-	-
Marine Corps	54	54	33	13	39	217,857	99,359	-	-
	614	412	255	64	25	2,065,598	478,025	20	30,764
Total	3,235	1,152	518	95	18	\$5,027,981	\$1,020,473	83	\$609,956

<sup>a</sup>Based on the sample sizes, we are 95-percent confident that our projection represents the minimum nonrecoupment amount.

<sup>b</sup>Random samples of cases were taken from eight universes; additional errors were projected back to the respective universes.

<sup>c</sup>Separation pay.

<sup>d</sup>Readjustment pay.

<sup>e</sup>Severance pay.



## THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

MANPOWER,  
INSTALLATIONS  
AND LOGISTICS

10 APR 1985

Mr. Frank C. Conahan  
Director  
National Security and International  
Affairs Division  
United States General Accounting Office  
Washington, D.C. 20548

Dear Mr. Conahan:

This is the Department of Defense (DoD) reply to the General Accounting Office (GAO) Draft Report Dated March 5 1985 (GAO Code 400496) - OSD Case No. 6706 entitled "VA Can Reduce Excess Disability Payments by Improving Pay Data Exchange With the Military Services."

DoD concurs with all findings in the draft report that concern DoD functions. DoD also partially concurs in the related recommendations to these findings. Our detailed comments are enclosed. DoD believes that the most cost efficient and productive approach to improving internal control of the VA disability payment process with the DoD processes is to perform periodic computer matches of the affected data bases.

DoD will arrange with VA to perform these matches and will assure that all Privacy Act considerations are met.

Thank you for the opportunity to comment on your report.

Sincerely,

  
Jerry L. Calhoun  
Principal Deputy Assistant Secretary of Defense  
(Manpower, Installations & Logistics)

- GAO note:
1. Page references in this appendix have been changed to correspond with the final report.
  2. This section has been deleted from the final report.

GAO DRAFT REPORT DATED MARCH 5, 1985  
(GAO CODE NO. 400496) - OSD CASE NO. 6706

"VA CAN REDUCE EXCESS DISABILITY PAYMENTS BY IMPROVING PAY  
DATA EXCHANGE WITH THE MILITARY SERVICES"

DEPARTMENT OF DEFENSE COMMENTS  
\* \* \* \* \*

FINDINGS

- O FINDING A: VA And DoD Need Better Controls To Ensure Veterans Do Not Continue Receiving Disability Benefits After Reenlistment. Title 38 requires that a person not be paid VA disability benefits concurrently with active duty pay. The GAO found that VA made at least \$1 million in excess disability payments in calendar year 1982 and 1983, and estimated that VA made previous years' overpayments of about \$4.5 million, as benefits were not always terminated when a veteran reentered active duty. The GAO further found that VA does not have adequate controls to identify veterans who reenter active service. The GAO concluded that excess disability payments have been made in prior years and are likely to continue until VA and DoD establish better controls over disabled veteran reenlistments (pp. 7 and 11, GAO Report.)

DoD Response: The Department of Defense concurs. The lack of adequate controls appears to occur at all stages of the process, but for the most part, the VA is not informed of the reenlistment in a timely manner and thus cannot terminate the VA benefit.

- O FINDING B: Veterans Do Not Notify VA of Reenlistments. The GAO found that VA does not know how many disabled veterans reenlist nor has VA attempted to determine whether veterans comply with applicable reporting requirements. A Defense Manpower Data Center (DMDC) computer match for calendar years 1982 and 1983, of DoD active duty and VA disability files identified 1,060 persons who had reentered active duty and not notified VA. This resulted in over \$1 million in excess disability payments each year. The GAO further found, after a random sample of 184 cases, that payments to 12 veterans had been suspended but overpayments exceeding \$518,000 had been computed on 122 of the 172 remaining cases--an average of \$4,250 per case. The GAO concluded that the VA should followup on the remaining 876 persons identified on the match and should be able to suspend a large number of disability claims. The GAO further concluded that if the current average overpayment applied to all 1,060 cases, VA overpayments could be about \$4.5 million (pp. 1, 11 digest, pp. 7-9, GAO Report).

DoD Response: The Department of Defense is not able to comment on this finding since the matter is under VA jurisdiction.

- O FINDING C: Recruiting Personnel Do Not Notify VA of Reenlistments. Despite military recruiting regulations, the GAO found that military recruiters do not always notify VA when disabled veterans reenter active duty. GAO further found, based on a random sample of 197 cases, that in 58 percent (115 cases) the veterans had indicated on their reenlistment forms that they were receiving VA disability benefits; however, recruiters had not notified VA. The GAO cited three reasons why recruiters may not be notifying the VA: (1) procedures for notifying VA are vague and may not be clearly understood by recruiters, (2) disabled veterans reenlist so infrequently that notifying VA can be overlooked by recruiters, and (3) recruiters were more concerned with obtaining and processing medical waivers than notifying VA to terminate benefits. The GAO concluded that the reenlistment file should be expanded to include all current VA disability data, so that recruiter personnel can identify veterans who do not mention their disability. The GAO further concluded that the military services should also reinstruct recruiters on procedures for reporting information to VA, (pp. 9 and 11, GAO Report).

DoD Response: The Department of Defense concurs in this finding, but believes that relying on recruiters to notify VA of the reenlistment, even if a code is put in the reenlistment file, will not be the best solution to the problem (See DoD comments to Finding E and Recommendations 1 and 2).

- O FINDING D: Most Payments Can Be Reduced Through Annual Reconciliation. The GAO found that, although the VA has not implemented an effective way of ensuring that veterans report their reentry to active duty, most payments could be reduced through an annual DoD-VA tape match. GAO further found that since most persons have low-rated disabilities, the potential overpayment can be kept relatively small if the reenlistment is detected within a year. The GAO also found that DMDC needs to edit its data before providing it to the VA because of the various inaccuracies identified during the audit. The GAO concluded that subsequent tape matches should involve a much smaller number of persons and a correspondingly significant reduction in the annual excess disability payments and overpayments (pp. 10-11, GAO Report).

DoD Response: The Department of Defense concurs and agrees with the GAO that computer matches are an effective way of establishing internal controls.

- O FINDING E: Expanded Use of Reenlistment File. The GAO found that, if DMDC could expand the reenlistment file to include a data field from the annual VA disability tape maintained by DMDC, disability information could then be reported to the recruiters at the same time that other reenlistment information is provided. The GAO further found that VA needs to ensure that the disability data on the DoD reenlistment file is kept complete and updated, and should provide DMDC with periodic tapes which identify all disabled veterans added to the benefit rolls throughout the year. The GAO reported that VA and DMDC officials stated that additional reporting was a good idea and should involve little cost. The GAO concluded that opportunities exist to reduce VA disability payments and improved VA and DoD coordination can help eliminate VA disability benefits to persons who have reenlisted in the active service [See GAO note 2, p. 25.]

DoD Response: The Department of Defense believes that expending more effort to improve the process involving recruiter notification will not be as productive as increasing the frequency of computer matches, and thus cannot agree with the recommended solution to the problem (See DoD response to Recommendation 1). DoD feels that a process of increased computer matching with direct feed of the information to the VA accomplishes the objective the GAO seeks. As a result of increased computer matching, DMDC can provide the Services with timely information on new accessions having VA disabilities in order to help prevent fraudulent reenlistments.

- O FINDING F: VA Not Withholding An Appropriate Amount of Monthly Disability. The GAO found that, based on its review of VA and the military pay records for 1983, the VA did not start withholding the appropriate monthly disability payments on an estimated \$1.6 million in lump sum separation payments made by the military services. The GAO further identified \$1 million in specific errors and projected an additional \$600,000 in errors. The GAO concluded that it may take many years before the \$1.6 million can be recouped, as the VA can only withhold disability payments at the veteran's current monthly benefit rate. The GAO also concluded that by withholding at the monthly rate, the VA can immediately reduce at least \$222,000 annually in excess disability payments (p. 14, GAO Report).

DoD Response: The Department of Defense is not able to comment on this finding since this matter is under VA jurisdiction.

- O FINDING G: DoD Does Not Always Provide The VA With Separation Pay Data. Current laws and regulations require VA to withhold disability benefits from veterans until an amount equal to the military separation payment has been recouped. The military services are required to provide VA with the necessary data to initiate recoupment action. The GAO found that, in 26 cases out of 518 reviewed, DoD did not notify VA, representing about \$348,000 of separation pay that VA could not start recouping.



The GAO further reported that the highest incident of error involved nondisability separation pay which resulted in the VA not recouping \$266,000. The GAO concluded that VA primarily depends on military separation processing offices and finance centers to provide pay data, but controls are not adequate to ensure data is provided and acted on. GAO further concluded that VA could improve recoupment efforts and reduce excess disability payments if DMDC established a procedure to provide VA quarterly separation pay data from all the finance centers (pp. 14-15, 20, GAO Report).

DoD Response: The Department of Defense concurs. If payroll data on separation payments were periodically supplied to VA from DMDC, current and timely action could be taken to offset the separation pay amount from VA disability payments.

- O FINDING H: VA Does Not Always Recoup Separation Pay Even When The Amount Is Known. The GAO found that sometimes the regional office adjudicators do not always recoup separation pay even when the payment data is available in the computer system or case file. The GAO identified 69 cases out of 518 cases reviewed, totalling \$673,000, where VA had been notified about the separation pay but did not begin recouping the balance, because regional staff overlooked the separation pay information or did not know when the computer system rejected their recoupment attempts. GAO further found that VA had not updated its computer system so it could automatically recoup separation pay at the required 100, percent, which resulted in \$385,000 not being recouped. GAO concluded that a reminder should be placed on the award processing screen to alert the regional office staff that DoD separation pay was given. The GAO further concluded that VA can further reduce excess disability payments by withholding disability payments from those persons affected by VA's programming oversight and identify any other persons where the recoupment amount was understated (pp. 15-18, 20, GAO Report).

DoD Response: The Department of Defense is not able to comment on this finding since this matter is under VA jurisdiction.

- O FINDING I: Mutual Corrective Actions Can Improve Recoupments. GAO found that, although DoD's use of the DD 214 to notify VA about involuntary separation payments has been generally effective, there were instances where separation processing offices did not always provide the pay data. GAO further found that a more effective added control would be to provide VA with an actual record of quarterly separation pay data from the military finance centers. In this regard, GAO noted that all the Services, except the Army, had been sending separation pay data to DMDC, on a quarterly basis--the Army does not send its data because it cannot be automatically retrieved from its system until June 1986. GAO also found that VA needs to verify that the errors, representing \$1 million in separation pay and over \$222,000 in annual VA

benefits have been corrected and also review the additional separation cases for 1983 where it is projected about \$600,000 remains unrecouped. The GAO concluded that more effective control over recoupments can be achieved if VA and DoD modify procedures for exchanging separation pay data and VA improves its procedures for processing required recoupment actions (pp. 18-20, GAO Report).

DoD Response: The Department of Defense concurs. Having a central DoD point, such as DMDC, to accumulate the separation pay data and provide it to VA will provide the best possible internal control over the process (See DoD response to Recommendation 3).

RECOMMENDATIONS TO THE SECRETARY OF DEFENSE

- O RECOMMENDATION 1: GAO recommended that the Secretary of Defense require the Defense Manpower Data Center to (1) perform a match of the active duty and VA disability files to identify persons who received active duty and VA disability benefits concurrently in 1984 and annually thereafter and edit the results of these matches to remove inaccurate data before providing it to VA, and (2) expand its reenlistment file to include VA disability data for use by recruiters (p. 12, GAO Report).

DoD Response: The Department of Defense concurs. DoD will establish contact with the Veterans Administration to effect transfer of the necessary information. DoD will match the files and edit the output to remove potentially inaccurate data. DoD proposes two modifications to the procedure recommended by the GAO: 1) that the match with the VA be performed annually, but be updated periodically between annual cycles. This would result in more prompt identification of active duty individuals receiving VA disability pay at very small increase in cost; and 2) that the notification of a dual payment status be reported directly to the VA by DMDC rather than through the recruiters. While expanding the recruiter file is technically feasible, such expansion imposes additional work load on a number of DoD activities which would be required to reprogram computers, revise and reissue operating instructions and otherwise modify existing procedures.

In aggregate, the proposed DoD solution would accomplish the same objectives with less disruption to ongoing programs. Additionally, this procedure will allow DMDC to better ensure that Service personnel officials are notified of all individuals entering onto active duty who had a VA disability. This notification is made to insure the individual did not fraudulently conceal a medical condition which would bar reentry on active duty.

- O RECOMMENDATION 2: GAO recommended that the Secretary of Defense require the military services to reinstruct recruiters on the procedures for notifying VA when disabled veterans reenlist (p. 12, GAO Report).

DoD Response: The Department of Defense concurs. The Assistant Secretary of Defense (MI&L) will within 60 days, forward a letter to the Military Departments stressing the importance of this notification and asking that notification procedures be reemphasized.

- O RECOMMENDATION 3: GAO recommended that the Secretary of Defense require that all military finance centers send quarterly separation pay data to DMDC starting with fiscal year 1984 data, and have DMDC provide it to VA (p. 20, GAO Report).

DoD Response: The Department of Defense concurs. Three military services currently submit data to DMDC on a quarterly basis. This information will be passed to the VA in a mutually agreeable format. The Army currently does not provide information on separation payments as part of their quarterly submission to DMDC. Proposed modifications to its reporting system will allow the Army to provide this data beginning in June 1986. The Army has, though, maintained some separation pay data on punched cards. The Assistant Secretary of Defense (MI&L) and/or Assistant Secretary of Defense (Comptroller) will, within 60 days, task the Army to submit the separation pay data until the needed modifications are made to the appropriate financial reporting system.

RECOMMENDATIONS TO THE ADMINISTRATOR OF VETERANS AFFAIRS:

- O RECOMMENDATION 1: GAO recommended that the Administrator of Veterans Affairs require the Director, Department of Veterans Benefits, to follow agency appeal procedures for all 1,060 cases identified by GAO on the 1982 and 1983 tape matches and, as appropriate, suspend disability benefits and compute overpayments (p. 12, GAO Report).
- O RECOMMENDATION 2: GAO recommended that the Administrator of Veterans Affairs require the Director, Department of Veterans Benefits to follow agency appeal procedures and, as appropriate, suspend disability benefits and compute overpayments on veterans identified by DoD as receiving active duty and VA disability benefits concurrently on the 1984 and future year tape matches (p. 12, GAO Report).
- O RECOMMENDATION 3: GAO recommended that the Administrator of Veterans Affairs require the Director, Department of Veterans Benefits to submit to the Defense Manpower Data Center periodic updates of its disability tape that will identify all veterans added to the benefit rolls during the year, so the reenlistment file will contain current disability that can be used by recruiters (p. 12, GAO Report).
- O RECOMMENDATION 4: GAO recommended that the Administrator of Veterans Affairs require the Director, Department of Veterans Benefits, to continue recoupment on cases it identified, review other cases in the 1983 DoD universes to detect errors and initiate recoupment if it has not occurred (p. 21, GAO Report).
- O RECOMMENDATION 5: GAO recommended that the Administrator of Veterans Affairs require the Director, Department of Veterans Benefits, to enter separation pay data from DoD into its beneficiary record system and place a reminder on received separation pay and alert regional staff about recoupment (p. 21, GAO Report).
- O DoD Comment: DoD defers to the Administrator of Veterans Affairs as the action on these recommendations comes under his jurisdiction. DoD will cooperate with the VA in order to assist in implementing corrective actions.

Office of the  
Administrator  
of Veterans Affairs

Washington DC 20420



APRIL 5 1985

Mr. Richard L. Fogel  
Director, Human Resources Division  
U.S. General Accounting Office  
Washington, DC 20548

Dear Mr. Fogel:

Your February 26, 1985 draft report "VA Can Reduce Excess Disability Payments by Improving Pay Data Exchange with the Military Services" has been reviewed. This report contains several recommendations concerning the cases the General Accounting Office (GAO) identified during their review. GAO officials have informed us they will send us the listings of these cases so we may take appropriate action.

I concur in the recommendations and this Agency will begin implementing them as soon as the listings are received. The enclosure contains additional comments on the GAO report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Harry N. Walters'.

HARRY N. WALTERS  
Administrator

Deputy Administrator - For

Enclosure

## ENCLOSURE

**VETERANS ADMINISTRATION COMMENTS ON THE FEBRUARY 26, 1985  
DRAFT REPORT "VA CAN REDUCE EXCESS DISABILITY PAYMENTS BY  
IMPROVING PAY DATA EXCHANGE WITH THE MILITARY SERVICES"**

GAO recommends that I require the Director, Department of Veterans Benefits, to:

- Continue recoupment on cases GAO identified, review other cases in the 1983 DOD universes to detect errors, and initiate recoupment if it has not occurred.
- Enter separation pay data from DOD into the beneficiary record system and place a reminder on the disability award screen to show when the veteran received separation pay and alert regional staff about recoupment.
- Recoup the additional \$385,000 on the 64 separation payment cases GAO identified where the recoupment balance was understated.
- Follow Agency appeal procedures for all 1,060 cases identified by GAO on the 1982 and 1983 tape matches and, as appropriate, suspend disability benefits and compute overpayments.
- Follow Agency appeal procedures and, as appropriate, suspend disability benefits and compute overpayments on veterans identified by DOD as receiving active duty and VA disability benefits concurrently on the 1984 and future year tape matches.
- Submit to the Defense Manpower Data Center (DMDC) periodic updates of its disability tape that will identify all veterans added to the benefit roles during the year so the reenlistment file will contain current disability data that can be used by recruiters.

I concur in these recommendations and also endorse the recommendation to the Secretary of Defense to add a review of the active duty file to the existing annual reconciliation. The VA will work closely with the military finance centers in establishing procedures to implement this addition.

As stated in the report, procedures are presently in effect for VA personnel to code separation pay data shown on the DD 214 into the Beneficiary Identification and Records Locator System (BIRLS) record. We can establish procedures for entry of separation pay data into BIRLS and/or the Hines master record based on quarterly reports submitted by the DMDC.

Since 1980, Target edits have been in place for original awards to assure that recoupment action is taken when BIRLS shows disability severance or separation pay. When an original award is processed on an individual whose BIRLS record shows receipt of separation pay, the computer-generated award automatically installs a type 8 (separation pay) withholding that will not permit payment until all separation

## ENCLOSURE

pay has been recouped. If the BIRLS record indicates that disability severance pay was paid, the award will automatically install a type 9 (severance pay) withholding in an amount equal to the compensation otherwise payable for the severance disability. If the adjudicator fails to identify the disability for which severance pay was paid, the Target system generates a reminder message for entry of that information.

On page 16, GAO states that they found six instances where the adjudicator apparently overlooked disability separation pay shown on the DD 214. They do not state whether or not this information was in the BIRLS record at the time the adjudicator processed the award. We again checked the edits to assure that they are in place and working properly. Unless GAO furnishes documentation to the contrary, we assume that BIRLS data did not contain separation pay data at the time the adjudicators processed these awards. The edits already in place exceed the GAO recommendation for a "reminder" edit.

The automated data exchange was expanded during July 1984. As a result, the exchange now includes data on all original and reopened compensation awards (that is, all veterans added to the compensation roles) whether or not the veteran is identified as a retiree. These data are furnished to the military finance centers on a cyclical basis, approximately six times per month. To implement the last recommendation, we can add the DMDC to the distribution list for these cyclical tapes. The DMDC can use these data to update the reenlistment file.

GAO note: Page reference has been changed to correspond to the final report.



**END**

**FILMED**

9-85

**DTIC**